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Report Highlights:

Although the United States continues to be the main sourcing option for Colombian importers of corn and rice in marketing year (MY) 2020/21, it may face competition from South American exporters when prices and preferential duty treatment are favorable under the Andean Community of Nations (CAN) and Mercosur Agreements. The Covid-19 pandemic prompted shifts in consumption patterns that resulted in increasing imports of rice and wheat to supply a strong surge in demand for non-perishable products. Local production of grains could be impacted if La Niña weather phenomena materializes towards the end of 2020 and the beginning of 2021. Revised production estimates for corn and wheat are down given adverse weather conditions, while rice production is estimated to increase driven by high local prices.

Commodities:
Corn

Production:
In MY 2020/21, revised Colombian corn production is forecast to decrease to 1.5 million MT due to a 5 percent reduction in corn area planted given low domestic prices and adverse weather conditions from La Niña weather phenomenon. Area planted continues to marginally decrease mainly due to volatile international prices and competitively-priced imports.

Colombian corn production is divided into two categories: large scale, which includes medium and large industrial farms that apply the use of improved seed, preventative chemical pest controls, and modern machinery for planting and harvesting; and the traditional system, which is comprised of small landholdings managed by, typically, one owner who may grow multiple crops within the operation. Average corn yields under the large-scale system are higher (5.7 tons per hectare (MT/Ha)) than under the traditional system (2.1 MT/Ha). In calendar year (CY) 2019, large-scale corn farming accounted for 76 percent of Colombian total corn production.

In CY 2019, Colombia planted 88,268 hectares of genetically engineered (GE) corn, 16.1 percent more than the prior year due to increasing large-scale corn plantings. In August 2019, Colombia approved commercial plantings of the first domestically developed corn genotype containing the TC-1507 off-patent event. The planting of this seed is restricted to the humid Caribbean region, Cauca and Magdalena river valleys, as well as in the Eastern plains and the Coffee region.

Consumption:
In MY 2020/21, revised corn consumption is down by 7 percent from the previous estimate as consumption did not increase as expected in the preceding marketing year. Corn consumption is forecast to recover to 7.6 million MT in MY 2020/21, as the poultry and livestock sectors recuperate their pre-Covid-19 growth trend. In the second half of 2020, animal protein demand has started to normalize, following the Covid-19 peak and resumed operations of several economic sectors, including the food service sector.

In MY 2019/20, revised corn consumption is down by 5 percent from the previous estimate to 7.4 million MT driven by lower demand from the animal feed sector. From March through May, 2020, when the Covid-19 outbreak started in Colombia, demand for animal proteins was severely impacted. Announcements of lockdowns and social distancing measures motivated panic buying and stockpiling of low-cost and non-perishable products such as rice and dry legumes. Animal protein demand decreased driven by lower sales to the food service sector and shifts to cheaper-proteins such as eggs, dry-beans and lentils, at the expense of meat. The shift in consumption patterns, combined with a strong U.S. dollar exchange rate, resulted in lower corn demand from the animal feed sector.

Ninety-five percent of corn imports are destined for animal feed with the remaining 5 percent for human consumption. About 10 percent of local production is for animal feed while 90 percent is for the food processing sector. Colombian corn consumption is growing at a faster rate than production, and Colombia is highly dependent on imports.

Trade:
In MY 2020/21, revised corn imports are forecast to recover to 6.1 million MT motivated by a normalized demand after the Covid-19 peak. U.S. corn imports are forecast to surge to 5.2 million MT in MY 2020/21, if prices and duty treatment are favorable compared to South American competitors.

In MY 2019/20, revised corn imports are estimated to decline to 5.8 million MT driven by a contraction of the animal feed industry due to lower protein demand from the Covid-19 pandemic. Despite the decrease in total imports, U.S. corn is expected to grow to 5.0 million MT to account for nearly 90 percent market share given competitive prices and preferential treatment under the U.S.-Colombia Trade Promotion Agreement (CTPA).

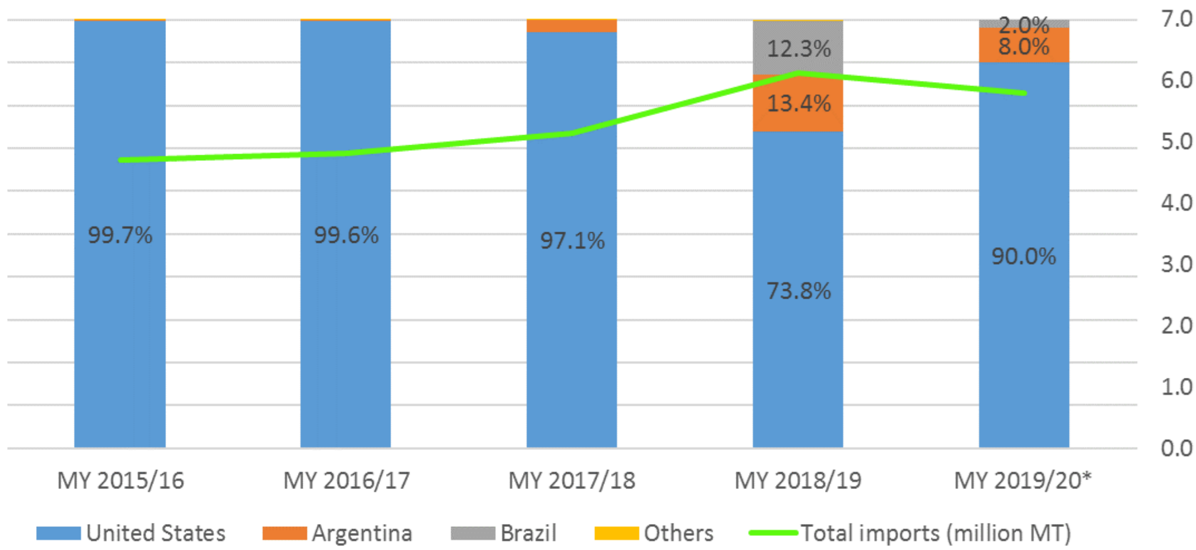
Since the implementation of the CTPA in 2012, U.S. market share increased to account for more than 99 percent of the Colombian corn import market in MY 2015/16 and MY 2016/17. However, in recent years Argentine and Brazilian corn has become attractive for some importers, with Argentine and Brazilian corn accounting for 26 percent and 10 percent in MY 2018/19 and MY 2019/20, respectively. The shift in the country's suppliers is mainly explained by the preferential treatment granted to Mercosur countries under the Andean Price Band System (APBS), as grain importers are driven by prices. At times, when corn prices are high, the feed industry has preferred to source other grain substitutes such as sorghum, distiller's dried grains with solubles (DDGs), and wheat.

In 2020, the CTPA tariff rate quotas (TRQs) for U.S. corn are 3,102,656 MT for yellow corn and 201,673 MT for white corn. In 2021, the CTPA TRQs for U.S. corn are 3,257,789 MT for yellow corn and 211,756 MT for white corn. These duties will phase-out by 2023.

In recent years, the TRQs likely filled before the first half of the year due to the first come/first serve mechanism; however, as the out-of-quota duty phases out, importers have less pressure to import in quota as storage costs are comparable to the out-of-quota duty (in 2020, 6.5 percent for yellow corn and 5.0 percent for white corn). However, in 2020, under the sanitary emergency in response to the Covid-19 pandemic, the Colombian government issued a decree that established zero duties for corn, sorghum, soybean and soybean meal from all origins from April to June 2020 (see Policy section). This measure released the pressure to import U.S. corn under the TRQ.

The chart below illustrates the changes in market share over the past five marketing years:

Graph 1. Corn imports by country of origin



**MY 2019/20 estimates based on year to date available data (July, 2020).*
Source: Colombian Customs Authority (DIAN) – Trade Data Monitor.

Stocks:

In MY 2020/21, corn ending stocks are forecast to increase to 433,000 MT following increasing imports. The Colombian government does not have a policy for holding grain inventories, and the industry maintains limited stocks given the high costs of storage throughout Colombia. It is expected that Colombian grain importers will make purchasing decisions based on short-term necessity given the lower pressure to access the CTPA in-quota corn. In MY 2019/20, ending stocks are estimated at 383,000 MT as a result of demand recovery in the second half of 2020.

Policy:

The Colombian government has targeted corn in several programs that intend to increase local production and substitute for imports. However, no program has successfully achieved this goal as imports are highly competitive and domestic producers face high production costs and have made only slow improvements in productivity. The most recent government effort comes from the Rural Agricultural Planning Unit (UPRA), an agency under the Colombian Ministry of Agriculture, which is working on a 10-year guideline for corn planting in Colombia.

Poultry and livestock producers that were concerned with import supply for the animal feed sector under the Covid-19 sanitary emergency put pressure on the government to remove temporarily tariffs on imported corn, sorghum, soybean and soybean meal. On April 7, 2020, the Colombian government released the Decree 523 to remove duties on these products, suspending the application of the APBS until June 30, 2020. Some importers decided to save the U.S. corn TRQ for later in the year and utilize the decree for zero duty imports.

As a member of the CAN, Colombia applies the APBS, which serves as a price stabilization tool for a special group of agricultural products considered sensitive in the CAN economies, including corn. The CTPA excludes the application of the APBS mechanism to U.S. imports and instead applies a TRQ mechanism with out-of-quota duties.

The APBS price stabilization takes place when the international reference price falls below a set floor, and a tariff is increased. The base tariff is reduced when the reference price exceeds the set ceiling. The value in which the tariff is increased or reduced is called a "variable levy." Floor and ceiling prices are adjusted annually, according to a mathematical calculation, and in accordance with information sources and reference markets established in CAN Decision 371. The table below illustrates the annual floor and ceiling prices for corn, effective from April 1, 2020:

Table 1. CAN Floor and ceiling prices for corn

April 2020 to March 2021 *USD per ton*		
	Floor Price CIF	Ceiling Price CIF
Yellow corn	$199	$212
White corn	$230	$242

Source: Resolutions 2118/2019. CAN.

The reference price is the bi-weekly average of daily, weekly or monthly quotations observed in the referential markets (FOB Gulf based on the Chicago Board of Trade first position for corn). Such a reference price must be expressed in terms of CIF. Depending on how bi-weekly CIF reference prices of corn behave, the effective duties under the APBS for each period will be established. Current Mercosur duties are 5 percent for yellow corn and no duty for white corn.

Colombian importers have been monitoring corn basis from Mercosur and the United States to make purchasing decisions. Per conversations with importers, the APBS mechanism creates uncertainty of the actual duty to pay at importation process because the duty under the APBS changes every 15 days depending on the CIF reference price established by CAN. This uncertainty is an obstacle for some importers that prefer to know the exact import duty to pay, as is the case of U.S. out-of-quota corn.

Production, Supply and Demand Data Statistics:

Table 2. Production, Supply and Demand Estimates: Corn

Corn	2018/2019		2019/2020		2020/2021	
Market Year Begins	Oct 2018		Oct 2019		Oct 2020	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	420	420	410	410	400	390
Beginning Stocks	185	185	383	383	383	383
Production	1600	1600	1600	1600	1600	1500
MY Imports	6048	6048	6200	5800	6500	6100
TY Imports	6048	6048	6200	5800	6500	6100
TY Imp. from U.S.	4412	4412	0	5000	0	5200
Total Supply	7833	7833	8183	7783	8483	7983
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6000	6000	6300	5900	6600	6050
FSI Consumption	1450	1450	1500	1500	1500	1500
Total Consumption	7450	7450	7800	7400	8100	7550
Ending Stocks	383	383	383	383	383	433
Total Distribution	7833	7833	8183	7783	8483	7983
(1000 HA), (1000 MT), (MT/HA) MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Corn begins in October for all countries. TY 2020/2021 = October 2020 - September 2021						

Note: 'New Post' data reflects FAS/Bogota's assessment.

Commodities:

Rice

Production:

In MY 2020/21, Colombian milled rice production is forecast at 1.9 million MT, as a result of an eight percent increase in area planted motivated by high local prices. The potentially heavy rains from La Niña weather phenomena in late 2020 and beginning 2021 may be favorable for rice cultivation, especially in dry-land rice areas. Total area planted will reach 560,000 Ha with an average yield of 5 MT/Ha on a paddy rice basis. The Rice Producers Federation (Fedearroz) expects that the value of this year's harvest will exceed COP 3.5 trillion (i.e., $1 billion), reportedly a record figure.

In the first half of 2020, average grower prices increased by 54 percent compared to the same period in 2019. A strong U.S. dollar against the Colombian peso, high international rice prices, and higher demand driven by panic-buying due to the Covid-19 pandemic, put upward pressure on local prices. This price surge stimulated growers to enlarge dry-land rice area planted, primarily in the eastern plains or *Llanos* region, which has flexibility to enlarge or reduce area planted, and accounts for 40 percent of total rice production.

Containment measures from Covid-19 pandemic did not have a major impact on the Colombian rice sector as it is low labor intensive. However, rice growers complained about increasing prices of imported inputs due to the high U.S. dollar exchange rate and rising costs of transportation due to the pandemic.

Consumption:

In MY 2020/21, revised milled rice consumption is forecast to reach 2.0 million MT, 3 percent higher than the previous year driven by shifts in consumption patterns due to Covid-19. The rice sector became a "pandemic winner" in Colombia as a low-cost, non-perishable product. A pound of rice can feed up to 6 people. In the first half of 2020, rice consumption increased, driven by a temporary surge in purchases after Colombia put in place strict pandemic restrictions. In the second half of the year, demand started to normalize.

Rice is one of the key staple foods in Colombia with a high per capita consumption compared to neighboring countries. Historical data shows that regular rice per capita consumption was about 40 Kg (88 pounds). However, in 2019, rice per capita consumption increased to reach about 42 kg (92 pounds), mainly driven by higher demand from the approximately 1.8 million Venezuelan immigrants living in Colombia. Rice is an affordable and important item for Venezuelans diet also.

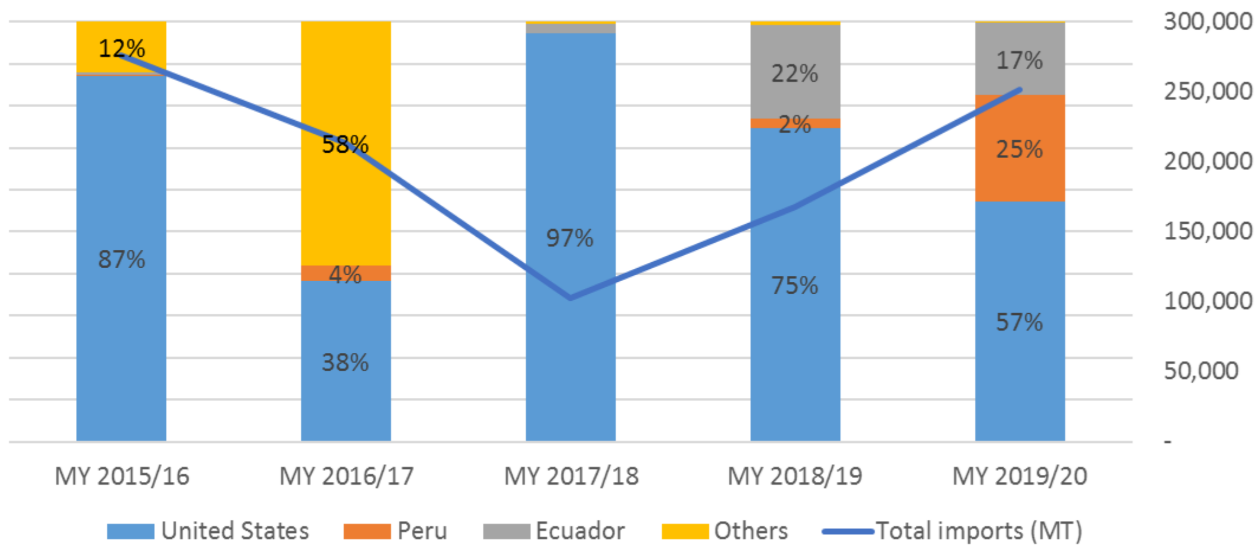
Colombians consume long grain rice as a staple food which is supplied by 90 percent local production and 10 percent imports. In recent years, the growing trend of international gastronomy boosted the demand for short and medium grain rice that is entirely supplied by imports. For instance, in CY 2019, Colombia imported 1,233 MT of short and medium grain rice, a 46 percent increase year-over-year. In CY 2020, Colombian imports of short and medium grain rice are estimated to increase to 2,100 MT based on year to date trade data.

Trade:

In MY 2020/21, revised Colombian rice imports are forecast to decrease to 220,000 MT due to increased local production and normalized demand after the Covid-19 peak. From January to July, 2020, rice imports increased by 50 percent year-over-year to fulfill growing demand due to panic-buying from Covid-19 pandemic. Rice imports were mainly sourced from the United States (52 percent) and CAN countries (47 percent). Peruvian and Ecuadorian rice imports into Colombia increased due to larger import quotas under CAN agreements and more competitive prices than U.S. rice. In addition, some importers imported from CAN countries due to easier logistics and lower costs from land transportation.

In MY 2020/21, imported rice from CAN countries is forecast to be lower due to increased local production, and Peruvian and Ecuadorian rice may be shipped to meet Brazilian imports from non-traditional sources (see Grain: World Markets and Trade).

Graph 2. Rice imports by country of origin



Source: Colombian Customs Authority (DIAN) – Trade Data Monitor.

The CTPA TRQ for U.S. rice is 112,346 MT in calendar year 2020 and 117,402 in calendar year 2021. See the COL-RICE website for more details. The United States is expected to remain the primary supplier.

CAN members (Colombia, Ecuador, Peru and Bolivia) are assessed a zero-tariff and are not subject to the Andean Price Band System, but a ministerial decree is necessary before an import permit is issued. Colombia had rice trade disputes with Ecuador and Peru, and following a CAN decision, Colombia granted access for Ecuadorian and Peruvian rice and will progressively implement the elimination of restrictions on imports of rice from these origins. The table below shows the quotas for milled rice, including short and medium grain, from Ecuador and Peru at zero duty.

Table 3. Rice Quotas under CAN Agreement

Calendar Year (January to December)	Quota (MT)	
	Ecuador	Peru
2018	87,447	45,000
2019	91,381	60,000
2020	95,494	90,000
2021	99,792	120,000
2022	104,282	Unlimited
2023	108,974	
2024	113,879	
2025	119,003	
2026	124,358	
2027	Unlimited	

Source: Colombian Ministry of Trade, Industry and Tourism.

Colombia does not export rice. However, there are milled rice trade flows into Venezuela, via the common border, driven by the Venezuelan food shortage. Unofficial estimates indicate these milled rice trade flows into Venezuela are at 40,000 MT in MY 2019/20. If Venezuelan consumption at the common border persists, Colombian rice exports are forecast to reach 50,000 MT in MY 2020/21.

Stocks:

The Colombian government does not maintain a policy for holding grain stocks; however, on an ad hoc basis and mostly for rice, the Ministry of Agriculture and Rural Development (MARD) offers financial storage incentives for producers and millers to hold inventories in order to regulate market prices. Ending stocks for MY 2020/21 are forecast to increase to 463,000 MT of milled rice, as a result of increasing production. This quantity would satisfy more than two months of domestic consumption.

Policy:

Rice growers frequently urge the government to support them in the challenging environment of low grower prices and difficult market conditions. In response, the government usually allocates funds to protect farmer income through direct payments and financial storage incentives to regulate market prices.

In August 2020, the MARD issued a resolution to provide financial storage incentives for $29,000 million Colombian pesos (approx. $8 million) considering a record seasonal production. In order to avoid price disputes between rice producers and rice millers, the resolution establishes reference prices to be paid to producers as a mandatory requirement to access the financial incentive. The resolution will be in effect until December 30, 2020, or until financial resources are allocated.

Production, Supply and Demand Data Statistics:

Table 4. Production, Supply and Demand Estimates: Rice

Rice, Milled	**2018/2019**		**2019/2020**		**2020/2021**	
Market Year Begins	**Apr 2018**		**Apr 2019**		**Apr 2020**	
Colombia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	510	510	520	520	530	560
Beginning Stocks	352	352	371	371	393	393
Milled Production	1691	1691	1750	1750	1676	1900
Rough Production	2487	2487	2574	2574	2465	2794
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	169	169	252	252	280	220
TY Imports	190	190	300	250	280	250
TY Imp. from U.S.	112	128	0	150	0	150
Total Supply	2212	2212	2373	2373	2349	2513
MY Exports	1	1	40	40	50	50
TY Exports	1	1	40	40	50	50

Consumption and Residual	1840	1840	1940	1940	1970	2000
Ending Stocks	371	371	393	393	329	463
Total Distribution	2212	2212	2373	2373	2349	2513
(1000 HA), (1000 MT), (MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2020/2021 = January 2021 - December 2021						

Note: 'New Post' data reflects FAS/Bogota's assessment.

Commodities:

Wheat

Production:

In MY 2020/21, wheat production is forecast to decline to 5,000 MT due to the potentially heavy rains from the La Niña weather phenomena in late 2020 and beginning 2021. In addition, reductions in wheat area planted are small but permanent as the country has noncompetitive production systems (yield is estimated at 2MT/Ha) and unfavorable climatic conditions for wheat cultivation. Domestic wheat production is primarily destined for wet milling and human consumption.

Consumption:

In MY 2020/21, Colombia wheat consumption is forecast to increase to 2.1 million MT, slightly higher than the previous year under the assumption that wheat feed consumption recovers. Wheat consumption trends will likely parallel population growth (about 2 percent), with demand gradually increasing each year.

In MY 2019/20, Colombian FSI wheat consumption increased at a faster pace, which was partly motivated by higher demand from Venezuelan immigrants. From March through May, 2020, FSI wheat demand to produce packaged bakery and pasta increased due to higher consumption driven by panic-buying from the Covid-19 pandemic. Local bakers and cafes, which could not operate due to strict Covid-19 confinement measures, consumed less wheat, offsetting the increased demand from panic-buying. In the second half of 2020, FSI wheat demand is starting to normalize after the Covid-19 peak.

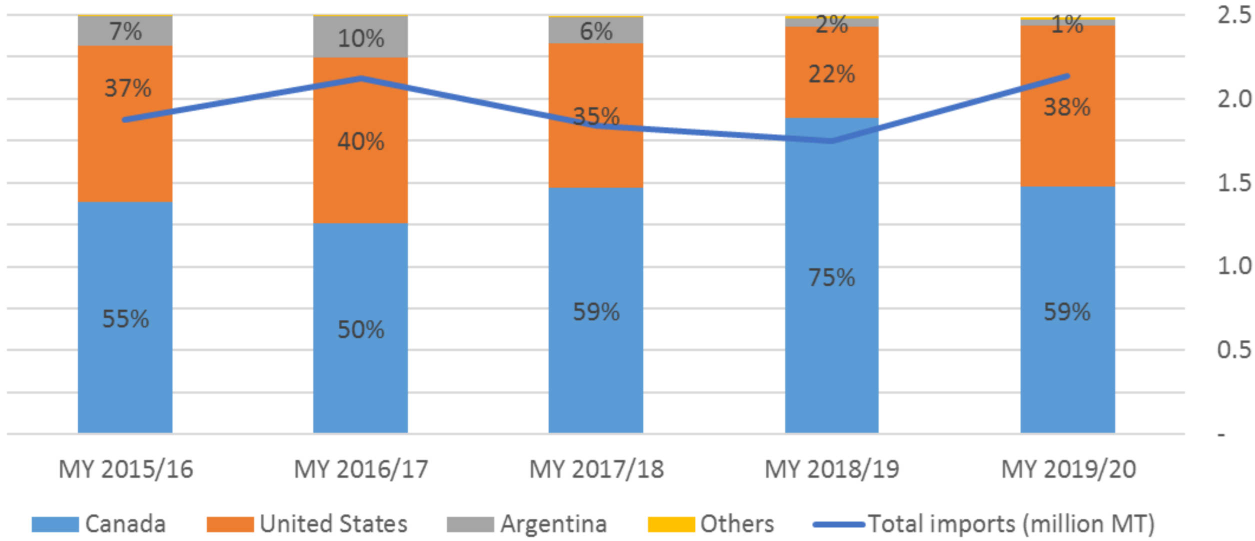
In MY 2020/21, wheat feed consumption is forecast to increase to 150,000 MT if wheat grain substitutes are not price competitive. Some animal feed manufacturers prefer to use wheat in their formulation due to its higher protein content, which is beneficial for young animals. FAS Bogota revised wheat feed consumption estimates down for MY 2019/20 to 100,000 MT, since the animal feed industry did not import large quantities of wheat due to low corn prices combined with preferential duty treatment and high U.S. dollar exchange rate. The animal feed industry changes inputs depending on prices.

Trade:

In MY 2020/21, revised total wheat imports are forecast at 2.1 million MT, slightly lower than the previous year given high beginning stocks. In MY 2019/20, wheat imports increased driven by higher demand from the milling industry. Canada is the primary supplier with a market share over 50 percent. Competition with Canada continues to be the most significant challenge to U.S. wheat. In MY 2019/20, U.S. market share recovered to 38 percent from 22 percent the year before, while Canadian market share decreased to 59 percent from 75 percent. Competitive pricing of U.S. wheat and U.S. marketing efforts contributed to recover market share. The Colombia-Canada Free Trade Agreement was signed a year before the CTPA. This free trade "head-start" provided Canadian exporters an opportunity to strengthen trade relationships with Colombian millers at the expense of U.S. wheat.

The chart below illustrates the changes in market share and import volumes for the various wheat exporters to Colombia over the past marketing years:

Graph 3. Wheat imports by country of origin

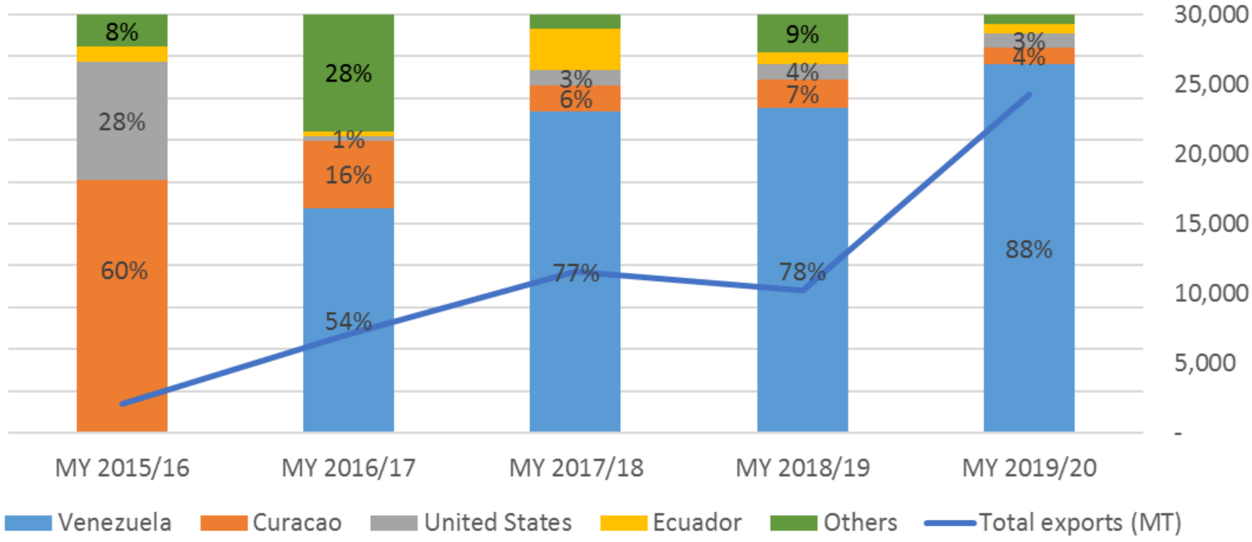


Source: Colombian Customs Authority (DIAN) – Trade Data Monitor.

Revised wheat export forecast for MY 2020/21 increased to 30,000 MT, assuming that Venezuelan demand continues growing. In MY 2019/20, Colombian wheat exports increased due to higher exports of wheat flour to Venezuela. Wheat exported was 94 percent as wheat flour and 6 percent as pasta. The main destination for Colombian wheat flour is Venezuela, followed by Curacao. The main destination for Colombian pasta is the United States.

The chart below illustrates the changes in market share and export volumes over the past marketing years:

Graph 4. Wheat exports by destination



Source: Colombian Customs Authority (DIAN) – Trade Data Monitor.

Stocks:

In MY 2020/21, ending stocks are forecast to decrease to 498,000 MT due to lower imports and normalized demand. The feed and wheat milling industries maintain limited carry-over inventories of grains given the high cost of stocks due to deficient storage capacity throughout Colombia. The feed and milling industries maintain about a two-month inventory supply to manage operations. In MY 2019/20, revised endings stocks are estimated at 523,000 MT, about three-month inventory supply, given high imports, lower demand from the animal feed sector, and normalized FSI wheat demand after Covid-19 spike.

Policy:

The Colombian wheat milling industry is entirely supplied through imports. Implementation of trade agreements with Canada and the United States have established favorable trade conditions with duty free imports and, to some extent, trade advantages over Mercosur wheat, whose fluctuating duties are subject to the APBS mechanism. The APBS price stabilization system is explained in the policy section for corn. The table below illustrates the annual floor and ceiling prices for wheat, effective from April 1, 2020:

Table 4. CAN Floor and ceiling prices for wheat

April 2020 to March 2021 *USD per ton*		
	Floor Price CIF	Ceiling Price CIF
Wheat	$248	$273

Source: Resolutions 2118/2019. CAN.

The reference price is the bi-weekly average of daily, weekly or monthly quotations observed in the referential markets (FOB Gulf based on the Kansas Board of Trade first position for wheat HRW). Such a reference price must be expressed in terms of CIF. Depending on how bi-weekly CIF reference prices of wheat behave, the effective duties under the APBS for each period will be established. Current Mercosur duties for wheat are zero. Colombia currently has 15 trade agreements in force, most of which have zero tariff for wheat.

Production, Supply and Demand Data Statistics:

Table 5. Production, Supply and Demand Estimates: Wheat

Wheat	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jul 2018		Jul 2019		Jul 2020	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4	4	3	3	3	3
Beginning Stocks	576	576	404	404	557	523
Production	8	8	6	6	6	5
MY Imports	1705	1705	2246	2137	2100	2100
TY Imports	1705	1705	2246	2137	2100	2100
TY Imp. from U.S.	350	350	857	818	0	800
Total Supply	2289	2289	2656	2547	2663	2628
MY Exports	10	10	24	24	25	30
TY Exports	10	10	24	24	25	30
Feed and Residual	175	175	175	100	150	150
FSI Consumption	1700	1700	1900	1900	1925	1950
Total Consumption	1875	1875	2075	2000	2075	2100
Ending Stocks	404	404	557	523	563	498
Total Distribution	2289	2289	2656	2547	2663	2628
(1000 HA), (1000 MT), (MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries. TY 2020/2021 = July 2020 - June 2021						

Note: 'New Post' data reflects FAS/Bogota's assessment

Attachments:

No Attachments